

#5394

ALCALDE & FAY

GOVERNMENT & PUBLIC AFFAIRS CONSULTANTS

October 11, 2000

The Honorable Jose Miguel Aleman  
Foreign Minister of Panama  
The Republic of Panama

Dear Sir:

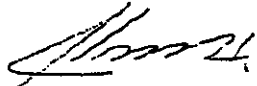
The firm of Alcalde & Fay will be honored to serve in the capacity of consultants to the Republic of Panama as regards your interests in modifying Title 46 (U.S.C.) Sec. 289, transportation of passengers in foreign vessels.

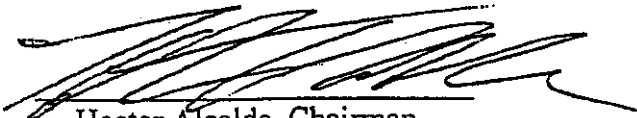
We consider your goal to be a reasonable public policy objective that would be of great benefit to U.S. passengers traveling on foreign cruise vessels. This change in U.S. law will also benefit the Government of Panama in developing your maritime infrastructure to better serve your many visitors. We will work with the appropriate committees of Congress and the Administration in our effort to have Panama designated as a Distant Foreign Port. Further, the firm will be available to provide advice and counseling as regards the maritime matters affecting your efforts to achieve this goal.

Working on your behalf will be Cindy Colenda, Skip Bafalis, and myself. Other Alcalde & Fay professionals will be utilized on an as-needed basis. We would require a retainer of \$15,000 monthly and any out of pocket expenses incurred by us in your behalf. You or your representative would approve any travel or expense in excess of \$200 in advance.

We would also like to accept your invitation to visit with you and other appropriate officials in Panama to discuss other economic development opportunities on which we may be able to offer assistance.

This letter will constitute an agreement between us and can be cancelled by either party with thirty-day notification.

  
Representative of Government  
Of Panama

  
Hector Alcalde, Chairman  
Alcalde & Fay

  
KATHRYN M. SLUGER  
My Commission Expires November 30, 2002

## ALCALDE & FAY

GOVERNMENT & PUBLIC AFFAIRS CONSULTANTS

March 12, 2001

Ambassador Guillermo Ford  
Embassy of Panama  
2862 McGill Terrace, NW  
Washington, DC 20008

Dear Mr. Ambassador:

George Muñoz, a member of our Board of Directors, tells me he had a good visit with you, and he suggested that our firm approach the "distant foreign port" assignment in a manner that assures results.

As you know, our firm was contracted by the Panamanian Government to assist it in getting Panama designated as a "distant foreign port" for purposes of allowing cruise ships with passengers from the United States to come ashore and allow their passengers to disembark for leisure time, re-embark within 24 hours and continue with their cruise. Permitting such port activity in Panama will greatly benefit Panama's economy.

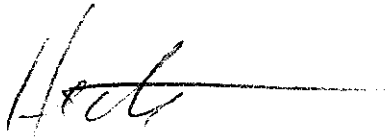
We know how important it is to get the necessary legislation or directive from the U.S. government to designate Panama as a "distant foreign port" for these purposes. We have worked on this assignment since we were retained by Panama in October 2000. Unfortunately, our billings for last year, which amounted to \$40,000 has gone unpaid. We understand that there have been some bureaucratic problems with getting the payment voucher done. I would like to again recruit your assistance in getting our account cleared.

I am writing to present a proposal that I think you will like, and that will be beneficial for all concerned. Upon payment of our \$40,000 outstanding bill for the year 2000, I would propose that we agree to perform our services on a success fee basis. I am confident that we, together with your assistance, can secure the desired "distant foreign port" designation. We will pursue this designation for a success fee of \$250,000. Subtracting the \$40,000 that we already earned leaves a figure of \$210,000.

I believe the success fee route is the best for all concerned. If instead you would prefer a monthly retainer amount, we can continue with the \$15,000 per month arrangement that would apply for all of this year. But in either case, it is important that we clear up the balance from last year, and clarify the arrangement for this year. In the letter I sent to Minister Aleman (to which you were copied), I outlined my perspective of what needs to be done. I still feel confident we can have success, so I appreciate you working closely with us in getting our working arrangement cleared.

George Muñoz is quite excited about what can be done for Panama. We share that desire. I will want to meet shortly, or call me upon reflecting on this proposal. Thanks again.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Hector', followed by a long horizontal line extending to the right.

. Hector Alcalde

**ALCALDE & FAY**

**GOVERNMENT & PUBLIC AFFAIRS CONSULTANTS.**

October 25, 2001

The Honorable Dominador Kaiser Bazan  
Segundo Vicepresidente  
The Republic of Panama

Dear Vice President Bazan:

As per our conversation, we would like to re-negotiate our contract dated June 21st for representation of the Government of Panama. As you know, our firm was contracted to assist the Government regarding your interest in modifying Title 46 (U.S.C.) Section 289 that governs transportation of passengers in foreign vessels.

We consider your goal to be a reasonable public policy objective that would be of great benefit both to your Government and to U.S. passengers traveling on cruise vessels stopping in Panama. However, the terms of our agreement provide that Alcalde & Fay will pursue this modification to U.S. law for a success fee of \$210,000 with no monthly retainer being paid for our services. At the time we proposed this agreement, we did not anticipate the substantial opposition that we have encountered from the U.S. maritime unions and the U.S. Shipbuilders Council.

As a result of meetings we held with members of the House Transportation and Infrastructure Committee, the U.S. maritime unions were alerted to our efforts to modify the Passenger Services Act and generated several letters of opposition to Committee members rejecting any attempt to amend the PSA. Both the American Maritime Officers Association, which represents the interests of U.S. maritime officers, and the U.S. Shipbuilders Council wrote letters to several key Committee members in the House and Senate. These letters indicated that any change to the PSA would jeopardize investments in U.S. built passenger vessel and halt the construction of additional U.S.-built vessels. As you may know, the U.S. maritime unions have a powerful lobby and have successfully blocked any modifications to the Jones Act or to the Passengers Services Act for many years.

Congressman Jim Oberstar, the Ranking Democrat of the House Transportation and Infrastructure Committee, is instrumental to any effort to change the U.S. law in this area. The U.S. maritime unions met with Congressman Oberstar recently and urged him

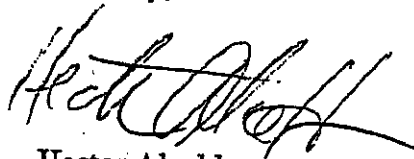
to oppose any effort to modify the PSA and to re-designate Panama as a "distant foreign port." In the past, Congressman Oberstar has been sympathetic to the unions' cause.

Both the Chairman of the House Transportation and Infrastructure Committee, Congressman Don Young, and Congressman Oberstar have indicated to us that they will need to address the concerns of the U.S. maritime unions before the Committee can adopt legislation to amend the PSA.

Based upon these recent events, we will need to expend a more substantial amount of time and resources on this issue than we originally anticipated. As a result, we would like to modify our agreement to allow our firm to be paid a monthly retainer of \$15,000 and eliminate the \$210,000 success fee. As you know, during our initial representation of your Government we were paid under a similar fee arrangement.

I believe that we can successfully meet our objectives and modify the existing law but will need to work diligently and quickly to address the concerns of the Congressional leaders responsible for legislating this policy change.

Sincerely,

A handwritten signature in dark ink, appearing to read "Hector Alcalde", written in a cursive style.

Hector Alcalde